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FEDERAL LEGISLATIVE UPDATE

President Bush released his proposed Federal Fiscal Year (FFY) 2003 budget on February 4, 2002. His \$2.1 trillion proposed FFY 2003 Budget includes significant increases in homeland security and defense spending with the rest of the budget increasing by about two percent. The Administration projects that its proposed FFY 2003 budget will result in a projected \$80 billion deficit.

Chief Administrative Office staff, County department staff, and your Washington advocates are continuing to analyze the 2,698 pages of the budget, in addition to the numerous briefing materials issued by the various Federal agencies. Additional details and clarifications will be provided as they become available.

Budget proposals of County interest are summarized below:

HOMELAND SECURITY

The Administration is requesting a doubling of overall funding for homeland security activities, which includes programs that aid state and local governments.

First Responder Training: The Administration is proposing a \$3.5 billion block grant, administered by the Federal Emergency Management Agency (FEMA), to enhance the ability of state and local governments to respond to acts of terror or other disasters, including: \$105 million to develop comprehensive disaster response plans; \$2 billion to purchase equipment for first responders; \$1.1 billion to train firefighters, police, and

emergency medical technicians in responding to chemical or biological attacks; and \$245 million to conduct coordinated response exercises.

Hospital Preparedness: The budget increases funding for hospital preparedness from \$135 million in FFY 2002 to \$518 million in FFY 2003. These grants are to be used to upgrade the capacity of hospitals, outpatient facilities, and emergency medical services systems to prepare and care for victims of bioterrorism.

Public Health Preparedness: The budget includes \$940 million, which is the same level as in FFY 2002, for increasing the capacity of state and local public health departments to respond to disease outbreaks, including bioterrorism events. The funds would be used for a number of initiatives, including: expanding the Health Alert Network which links public health agencies through the Internet; disease detection; planning and coordination between agencies; and training exercises which include public health and hospital systems.

Communications: The Administration proposes a \$392 million initiative to create a national information management system that provides timely information to first responders. Included is \$202 million that links emergency medical responders with health care providers, and \$175 million to assist states and local public health agencies to purchase communications equipment.

Border Security: A \$2.1 billion increase to \$10.7 billion is requested for securing the nation's borders. The Customs Service would receive an additional \$619 million for a FFY 2003 level of \$2.3 billion to hire more agents and purchase new equipment to minimize time-consuming and labor-intensive searches of shipments. The Immigration and Naturalization Service (INS) would receive \$734 million in additional funding, including for the hiring, training, and deployment of 570 more Board Patrol agents and implementation of an automated integrated data system to track non-citizens entering or exiting the country.

The Administration also proposes to increase the Coast Guard's budget by \$282 million to \$2.9 billion to enhance its ability to protect the nation's ports and coasts.

JUSTICE ASSISTANCE

The Administration is requesting a net reduction of \$1.2 billion in justice assistance to state and local governments.

State Criminal Alien Assistance Program (SCAAP): The Administration proposes to eliminate SCAAP, which was funded at a level of \$565 million in FFY 2002. Last year the Administration proposed a \$300 million cut in SCAAP, which was rejected by Congress.

COPS Hiring Grant Program: The Administration proposes to eliminate the COPS Hiring Grant program, which subsidizes the hiring of police officers and which was funded at a level of \$330 million in FFY 2002. Other COPS programs would continue to receive funding.

Justice Assistance Block Grant: The Administration proposes to consolidate the \$500 million Byrne block grant and \$400 million Local Law Enforcement Block Grant (LLEBG) into a new \$800 million Justice Assistance Block Grant. Of that amount, \$60 million would be set aside for Boys and Girls Clubs and \$15 million would be earmarked for neighborhood watch programs. In FFY 2002, \$70 million in LLEBG funds were set aside for Boys and Girls Clubs.

Juvenile Assistance Incentive Block Grant (JAIBG): The Administration proposes to reduce JAIBG funding from \$249.45 million in FFY 2002 to \$215 million in FFY 2003, and to increase the amount of JAIBG funds earmarked for the Project Child Safe handgun safety lock initiative from \$38 million in FFY 2002 to \$75 million in FFY 2003.

HEALTH PROGRAMS

Medicaid Financing: Washington Advocates Tom Joseph and Susan White attended a Health and Human Services (HHS) budget briefing. Dennis Smith, Director of the Center for Medicaid and State Operations stated that the budget does not assume any additional cuts in the Medicaid Upper Payment Limit (UPL) or the Disproportionate Share Hospital (DSH) payment program, but does assume \$9 billion in budget savings over ten years from implementation of the final UPL rule published last month. The proposed budget also assumes that the two-year freeze in reductions in annual state DSH allotments will expire at the end of FFY 2002, as slated under current law. California will lose an estimated \$184 million in Medicaid DSH payments in FFY 2003. The estimated loss to the County's public hospitals is \$36.8 million.

Bipartisan legislation, H.R. 854 (Whitfield, R-KY, and DeGette, D-CO) and S. 572 (Chafee, R-RI) have been introduced which would extend the DSH freeze beyond FFY 2002. No Congressional action has been scheduled on these bills. As with most Medicaid bills, if action occurs, it is likely to take place in a broader bill at the end of the session.

Budget documents cite Medicaid financing abuses that the HHS Inspector General has discovered in a number of states. The proposed budget includes \$10 million to assist HHS in increasing the number of audits and evaluations of state Medicaid programs.

Medicaid Financing of School-Based Health: The Administration announced that it will release clarifying guidelines this year on the ability of schools to bill for Medicaid services, noting that, to take advantage of the program, some school systems have entered into contracts with consulting firms that have been paid on a contingency basis. That practice and other abuses will be addressed in the guide.

SCHIP/Healthy Families: The Administration's budget would allow states to retain the nearly \$3.2 billion in unspent State Child Health Insurance Program (SCHIP/Healthy Families) funds. The proposed budget would allow states to return unspent SCHIP funds through FFY 2006, which, otherwise, would be returned to the U.S. Treasury in FFYs 2002 and 2003 because they would not be spent within the current statutory three-year time limit.

Transitional Medicaid Assistance: The Administration proposes to extend through FFY 2003 the current program which allows families who leave welfare due to increased earnings from employment to retain Medicaid eligibility for up to one year. Under current law, this program ends on September 30, 2002.

Tax Credits for Health Insurance: The budget proposes a \$1,000 per person tax credit for low to middle income individuals who purchase private health insurance. Families with two or more children with incomes under \$25,000 could receive up to \$3,000 in credits. The credit phases out at \$60,000 for families. A similar proposal was made last year. This proposal would cost an estimated \$89 billion over ten years.

Ryan White AIDS: The Administration proposes to freeze funding for AIDS programs funded by the Ryan White CARE Act at the FFY 2002 level of \$1.9 billion.

National Health Service Corps/Nursing Initiatives: The Administration proposes a \$44 million increase to \$191.5 million for the National Health Service Corps, which supports medical personnel in underserved areas. To help address the nation's nursing shortage, it also requests \$99 million in grants to nursing schools to attract and educate individuals interested in nursing and \$15 million for the Nursing Education Loan Repayment Program.

Community Health Centers: The Administration requests a \$114 million increase to a level of \$1.5 billion for Community Health Centers (CHCs). The increase is the second

installment in a multi-year effort to increase the number of sites by 1,200 from the approximately 3,000 that currently exist. This proposal would create about 170 new and expanded health centers.

Maternal and Child Health (MCH): The Administration proposes current level funding of \$739 million for MCH.

Substance Abuse/Mental Health Block Grants: The Administration requests a \$60 million increase to \$1.785 billion for the Substance Abuse block grant and current level funding of \$433 million for the Mental Health block grant.

Community Access Program (CAP): Similar to last year, the Administration proposes to eliminate the \$120 million CAP program, which provides competitive grants to health systems to improve access for the uninsured.

HUMAN SERVICES

Temporary Assistance to Needy Families (TANF): TANF is scheduled to be reauthorized this year. The Administration indicates that it will propose reauthorization legislation, which will maintain annual TANF block grant funding at \$16.5 billion, preserve the state maintenance-of-effort requirement, strengthen work participation requirements, and maintain a system giving states bonuses for high performance.

House Democrats introduced their TANF reauthorization bill (H.R. 3625) last month. Among other things, it provides inflationary increases for the block grant, and increases the Child Care and Development Block Grant by \$11.25 billion over five years.

Food Stamp Restorations: The Administration's budget supports restoring Food Stamp benefits to legal immigrant adults who lost their eligibility as a result of the 1996 welfare reform law. A previous restoration in 1998 provided benefits to children, the elderly and disabled. The Administration's proposal would cover an estimated 360,000 adults who have been in the country legally for at least five years at an estimated cost of about \$2.1 billion over ten years. A similar proposal is included in the Senate's Farm Bill (S. 1731).

Child Support: For families who were once on welfare, the proposed budget would give states the option to pass through the entire child support payment collected on their behalf. For current welfare recipients, the budget would provide, at state option, a federal match to provide up to \$100 per month in child support collections to the family.

Child Care: The Administration requests current level funding of \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for the child care entitlement to states.

Head Start: The budget includes an additional \$130 million for Head Start to a level of \$6.7 billion for FFY 2003.

Social Services Block Grant: The Administration is proposing \$1.7 billion for the Social Services Block Grant, the same level as appropriated by Congress last year. The House Democrat's TANF reauthorization bill would boost the annual authorization to \$2.8 billion.

Foster Care Independence Program: Proposed last year and signed into law by the President, the FFY 2003 budget includes first time funding of \$60 million for education and vocational training vouchers of up to \$5,000 to youth aging out of the foster care system.

Promoting Safe and Stable Families: The budget proposes a \$130 million increase in the Promoting Safe and Stable Families program to a level of \$505 million in FFY 2003. This program helps states and localities to keep children with their biological families or places them with adoptive families.

Aging Programs: Older American Act programs administered by the Administration on Aging would be funded at roughly the same level as in FFY 2002.

Community Services Block Grant (CSBG): The Administration proposes to reduce CSBG funding from \$650 million in FFY 2002 to \$570 million in FFY 2003.

Refugee Assistance: The Administration is requesting \$453 million for refugee assistance, \$7 million below the FFY 2002 funding level.

Fatherhood Initiatives: The Administration is proposing \$20 million in competitive grants to community and faith-based groups to promote responsible fatherhood. Last year, it had requested \$60 million, but the initiative was not funded. Both the House and Senate have held hearings on similar initiatives.

Compassion Capital Fund: As part of its Faith-Based and Community Initiative, the Administration is requesting \$100 million to finance the start up costs of charitable organizations to enable them to increase their capacity to deliver services. Congress appropriated \$30 million last year.

Charitable Tax Provisions: The Administration has renewed last year's proposal to allow taxpayers who do not itemize on their tax returns to deduct \$100 for donations made to charity. Couples would be allowed to deduct \$200. The deduction would increase to \$500 for singles and \$1,000 for joint returns by 2012. This and other charitable tax provisions would cost \$41 billion over ten years.

ELECTION REFORM

As part of the Department of Justice budget, the Administration is requesting \$1.2 billion over three years, including \$400 million for FFY 2003, for new election reform grants to state and local governments to improve their voting technology and equipment.

EMPLOYMENT AND TRAINING

The National Association of Counties reports that the Administration is proposing to reduce Workforce Investment Act (WIA) funding by a total of \$535 million in FFY 2003, including reductions from \$950 million to \$900 million in the Adult block grant, from \$1.1 billion to \$1.0 billion in the Youth block grant, and from \$1.590 billion to \$1.383 billion in Dislocated Worker assistance. The \$225 million Youth Opportunity Grant program would be cut to \$45 million in FFY 2003.

HOUSING AND URBAN DEVELOPMENT (HUD)

Community Development Block Grant (CDBG): The Administration proposes to increase CDBG formula grants by \$95 million to \$4.436 billion in FFY 2003, and to revise the CDBG allocation formula to reduce the amount allotted to local jurisdictions with a per capita income over twice the national average.

Homeless Assistance: The Administration proposes to increase HUD homeless assistance grant funding by \$7 million to \$1.13 billion in FFY 2003, and to consolidate the three existing homeless assistance competitive grants into a single competitive grant. In addition, the administration of the \$153 million Emergency Food and Shelter Program would be transferred to HUD from FEMA.

Housing Opportunities for Persons with AIDS (HOPWA): The Administration proposes to increase HOPWA funding by \$15 million to \$292 million in FFY 2003.

Section 8 Housing: The Administration proposes an increase of nearly \$1.9 billion to \$17.527 billion for the Section 8 program, including increases for Section 8 contract renewals and incremental vouchers, which provide rent subsidies to low-income families.

HOME: The Administration proposes a \$238 million increase to \$2.1 billion for the Housing Investment Partnership Program (HOME), which provides grants to states and localities for affordable housing activities. Included in the request is \$200 million for a HOME initiative called the "American Dream Downpayment Fund," to assist low-income families buying homes with closing costs and down payment assistance.

ENVIRONMENT

Land and Water Conservation Fund: The Administration proposes to fully fund the Land and Water Conservation Fund at just over \$900 million in FY 2003.

Brownfields: As part of the Environmental Protection Agency's budget, the Administration is requesting \$171 million for Brownfields clean-up activities, including \$121 million in grants to States, tribes, and local governments for Brownfields clean-up activities and \$50 million to establish State response programs for oversight of private clean-up projects.

Army Corps of Engineers: The Administration proposes to reduce overall Army Corps of Engineers funding by about ten percent in FFY 2003. The focus of the Corps' budget would be on the completion of current projects with no funding requested for new starts. In terms of projects of interest to the County, the proposed FFY 2003 budget includes \$4,424,000 for maintenance of the Los Angeles County Drainage Area (LACDA), \$150,000 for development of the Los Angeles County Regional Dredged Material Management Plan, \$170,000 for completion of the Marina del Rey and Ballona Creek Feasibility Study, and \$60,000 for the annual hydrographic survey of Marina del Rey. No funding was requested for continuation of the Los Angeles County segment of the Coast of California Study and for initiation of the California Coastal Sediment Master Plan Study.

TRANSPORTATION

The Administration is projecting a decrease of roughly \$9 billion in transportation funding, caused by lower estimated federal gas tax revenue and a past over projection of revenue. Republican and Democratic leaders of the House Transportation and Infrastructure Committee already have expressed opposition to the proposed cut.

We will continue to keep you advised of any new developments.

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